

MANAGEMENT DISCUSSION & ANALYSIS FOR THE QUARTER ENDING 30 SEPTEMBER 2015

**Abu Dhabi Islamic Bank net profit for Q3 2015 increases
5.5% to AED 503.2 million**

Remains one of the most liquid banks in the UAE with an advances to deposits ratio of 86.4%

Group Financial Highlights

Income Statement: Q3 2015 vs. Q3 2014 and Q2 2015

- Group net profit for Q3 2015 increased by 5.5% to AED 503.2 million vs. AED 476.8 million for Q3 2014 (and increased by 0.1% vs. AED 502.6 million for Q2 2015).
- Group net revenues for Q3 2015 increased by 9.7% to AED 1,284.2 million vs. AED 1,170.8 million for Q3 2014 (and increased by 2.4% vs. AED 1,254.0 million for Q2 2015).
- Credit provisions and impairments for Q3 2015 increased by 3.3% to AED 193.0 million vs. AED 186.8 million for Q3 2014 (and increased by 10.2% vs. AED 175.1 million for Q2 2015).

Income Statement: 9 months 2015 vs. 9 months 2014

- Group net profit for first nine months of 2015 increased by 8.6% to AED 1,456.6 million vs. AED 1,341.1 million in the first nine months of 2014.
- Group net revenues for first nine months of 2015 increased by 13.1% to AED 3,762.5 million vs. AED 3,326.8 million in the first nine months of 2014.
- Credit provisions and impairments for first nine months of 2015 decreased by 1.5% to AED 570.7 million vs. AED 579.1 million for first nine months of 2014.

Balance Sheet: 30 September 2015 vs. 30 September 2014 and 31 December 2014

- Total assets as of 30 September 2015 were AED 116.9 billion, representing an increase of 7.3% from AED 109.0 billion at the end of 30 September 2014 (and an increase of 4.5% over the AED 111.9 billion at 31 December 2014).
- Net customer financing grew 7.8% to AED 77.2 billion, from AED 71.6 billion at the end of 30 September 2014 (and increased by 5.8% from the AED 73.0 billion at 31 December 2014).
- Customer deposits grew 7.8% to AED 89.4 billion, from AED 82.9 billion at the end of 30 September 2014 (and an increase of 5.5% over the AED 84.8 billion at 31 December 2014).

Capital adequacy and liquidity: 30 September 2015 vs. 30 September 2014 and 31 December 2014

- The capital adequacy ratio under Basel II at 30 September 2015, after the successful completion of the AED 504 million rights issue in Q3 2015, is 14.70% vs. 14.34% recorded at 30 September 2014 (14.36% at 31 December 2014).

- ADIB remains one of the most liquid banks in the UAE, with an advances to stable funds ratio (a regulatory ratio) of 88.3% at 30 September 2015, vs. 86.6% at 30 September 2014 (86.5% at 31 December 2014) and an advances to deposits ratio at 30 September 2015 at 86.4% vs. 86.4% at 30 September 2014 (86.1% at 31 December 2014).

Group Financial highlights - Four-year performance

As at 30 September

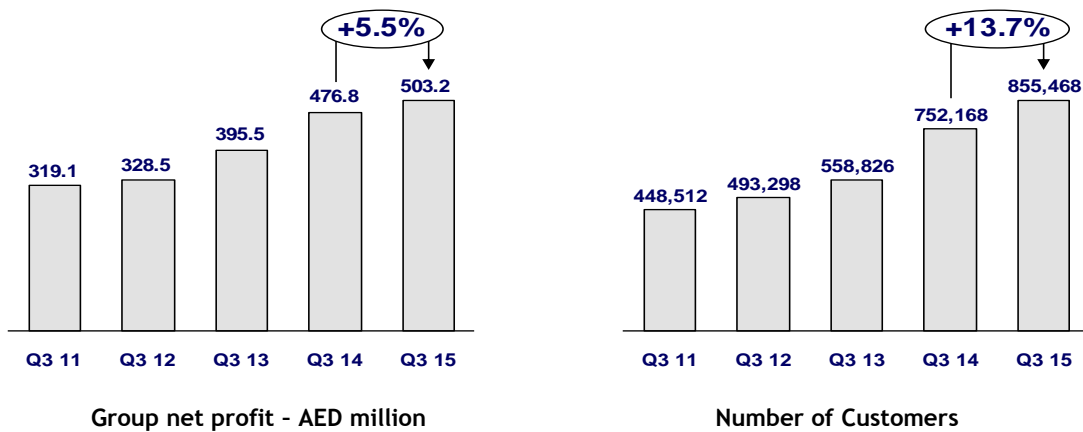
All figures are in AED millions

Balance sheet	Q3 2012	Q3 2013	Q3 2014	Q3 2015	3 YR (CAGR)
Total assets	81,540	97,150	108,962	116,919	12.8%
Gross customer financing	54,166	62,256	74,909	80,123	13.9%
Customer deposits	61,188	70,165	82,936	89,434	13.5%
Total equity	8,999	12,942	13,439	14,714	17.8%
Capital adequacy ratio - Basel II	16.9%	17.1%	14.3%	14.7%	
Tier 1 ratio - Basel II	13.7%	16.7%	13.9%	14.1%	
Customer financing to deposit ratio	83.1%	83.9%	86.4%	86.4%	
Income statement	Q3 2012	Q3 2013	Q3 2014	Q3 2015	3 YR (CAGR)
Net revenue	924.1	1,015.9	1,170.8	1,284.2	11.6%
Operating profit (margin)	530.6	589.1	663.6	696.2	9.5%
Credit provisions and impairment charge	202.1	193.5	186.8	193.0	-1.5%
Net profit	328.5	395.5	476.8	503.2	15.3%
Total non-performing accounts to gross financing assets ratio	10.6%	8.9%	6.2%	4.0%	
Provision coverage ratio	57.7%	60.7%	71.2%	90.0%	
Cost to income ratio	42.6%	42.0%	43.3%	45.8%	
Network - UAE	Q3 2012	Q3 2013	Q3 2014	Q3 2015	3 YR (CAGR)
Total customers	493,298	558,826	752,168	855,468	20.1%
Branches	73	77	85	88	6.4%
ATMs	522	579	656	757	13.2%

Abu Dhabi, UAE - 01 November 2015: The Abu Dhabi Islamic Bank (ADIB) Group posted a 5.5% increase in net profit for Q3 2015 to AED 503.2 million while increasing total assets by 7.3% to AED 116.9 billion vs. 30 September 2014. The Group increased net customer financing assets by 7.8% to AED 77.2 billion, highlighting a conservative approach to new credit extension and continued concerns about domestic market credit spreads, while matching funding needs with deposits growing by 7.8% to AED 89.4 billion vs. 30 September 2014. The financial performance was underpinned by the continued strength of the main banking business in the UAE where ADIB now serves over 855,000 active customers.

The business highlights for Q3 2015 were:

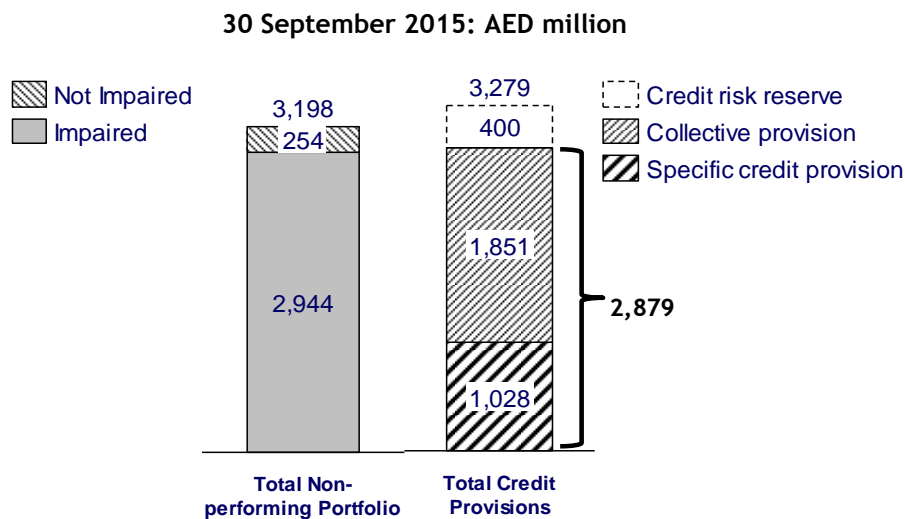
- The raising of AED 504 million of new common equity capital, through a rights issue of 168 million new ordinary shares in Q3 2015, as part of ADIB's continued focus on building capital levels in order to lay the foundation for the next strategic growth cycle and prepare for the adoption of Basel III by the Central Bank of the UAE.
- The prudent limitation of new financing asset growth to 5.8% for the first nine months of 2015, due to continued concerns about low credit spreads and an uncertain interest rate outlook.
- The continued focus on selected customer segments, including the ongoing penetration of the major expatriate segments while remaining loyal to the core UAE National individual and corporate customer base, saw the number of active customers served by ADIB increase by over 100,000 year-on-year to 855,468.
- A further negative foreign exchange revenue impact of a strong dollar on ADIB's investment in the Group's Egyptian joint venture.
- An increase in concerns over the credit environment, as reflected by a marginal increase in non-performing accounts by 1.9% during Q3 2015 vs. Q2 2015 and resulting in the taking of an additional AED 184.1 million in total credit provisions to maintain a healthy pre-collateral non-performing coverage ratio of 90.0% of the total non-performing portfolio.
- The cost to income ratio remaining above ADIB's medium term target at 45.8% primarily due to the significant increase in investment in governance, control and compliance activities as part of the Group's goal to be a leading institution in adopting a best practice approach to regulatory and related standards.



Risk management

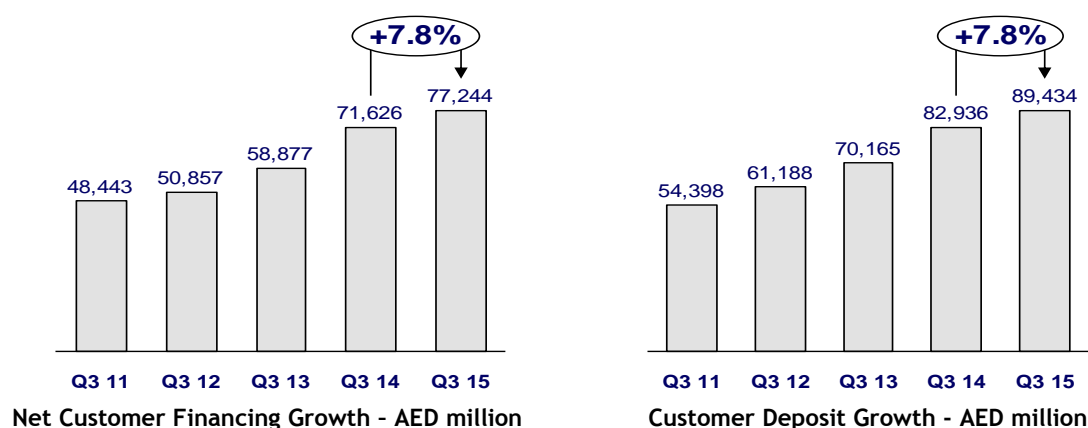
Notwithstanding ADIB’s continued application of best practice credit risk management and proactive remedial efforts, including having dedicated teams focus on achieving a positive and sustainable level of credit performance post-restructuring, total non-performing accounts increased by 1.9% in Q3 2015 to AED 3,197.9 million. Given the marginal deterioration in asset quality, ADIB took an additional AED 139.1 million in specific provisions while increasing collective provisions by AED 45.0 million in Q3 2015. The Bank’s collective provisions, excluding the AED 400 million credit risk reserve established in Q4 2012, now represent 2.1% of total customer risk weighted assets and remain well above the 1.5% required by the Central Bank of the UAE. The collective provisions, which were historically correlated to the net growth in customer financing assets, are now increasingly based on ADIB’s own credit outlook as informed by the Group’s early membership of the credit bureau in the UAE.

Total credit provisions, net of write-offs, now stand at AED 2,879.1 million. Specific and collective provisions, excluding the credit risk reserve, now represent a healthy pre-collateral coverage ratio of 90.0% of the total non-performing portfolio and 97.8% of the impaired portfolio.



Asset and Liability Management

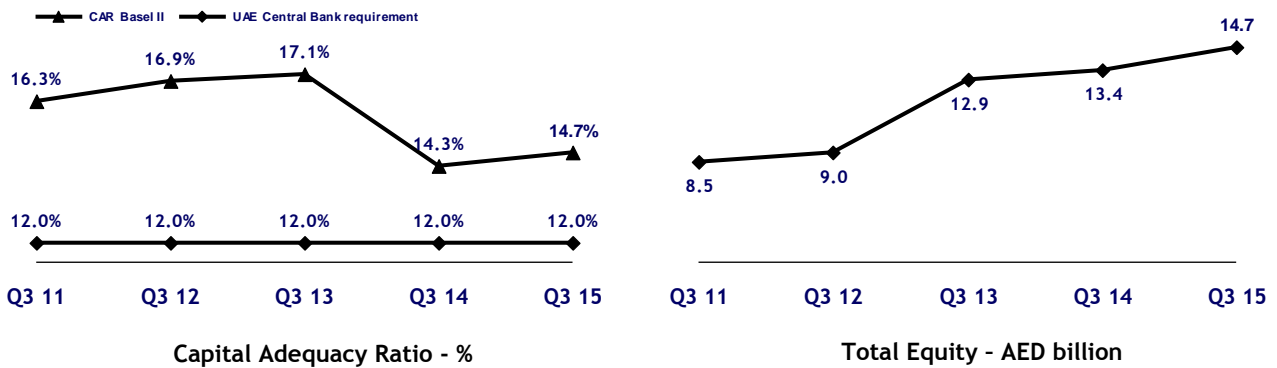
ADIB, as an early adopter of Basel III liquidity measures, maintained its position as one of the most liquid banks in the UAE while simultaneously continuing to manage its cost of funding while preparing to repay the USD 750 million senior sukuk issued in Q4 2010. Customer deposits increased by 5.5% in the first nine-months of 2015 and stood at AED 89.4 billion as at 30 September 2015 - with Central Bank placements at AED 5.1 billion and the net interbank position at AED 1.5 billion. At the same time, a disciplined return on shareholders' equity approach to asset growth informed by concerns about the economic outlook and low credit spreads saw customer financing assets grow by 5.8% since 31 December 2014 to reach AED 77.2 billion. As a result, ADIB ended Q3 2015 with a customer financing to deposits ratio of 86.4% and an advances to stable funds ratio of 88.3%, which remains significantly better than the regulatory threshold of 100%.



Capital strength

Total Equity (including Tier 1 capital instruments), after the successful completion of the AED 504 million common equity right issue in Q3 2015, was AED 14.7 billion as at 30 September 2015. This represents an increase of 9.5% year-on-year and a 3-year compounded growth rate of 17.8% and ADIB's capital adequacy ratio under Basel II principles now stands at 14.70% with the Basel II Tier 1 capital ratio at 14.13%.

Notwithstanding the fact that ADIB's capital ratios continue to be well above Central Bank of the UAE's prescribed minimums of 12% for capital adequacy and 8% for Tier 1, ADIB's intends to continue enhancing the Group's capital base through a series of specific actions. These actions will ultimately cover all capital classes as and when market conditions are favorable and the cost benefits are in line with plan. The primary objectives remain the support of ADIB's 2020 strategic ambitions and to ensure the Group is aligned with global best practice and Basel III when introduced in the UAE.



Cost management

In line with ADIB’s growth strategy of becoming a top regional bank, the Group has continued to invest strategically in expanding its operations across all customer segments in the UAE and in building its international franchises. Specifically, ADIB continues to build a number of additional capabilities, including, but not limited to: enhancing its digital competence across all businesses and processes in line with its ambition to be a leading digital bank; diversifying its business model into related banking services such as investment and wealth advisory, equity capital markets and merchant acquiring; and upgrading its technological infrastructure and core banking capabilities.

Furthermore, and notwithstanding the prevailing economic and competitive environment, ADIB has continued increase its investment in governance, control and compliance capabilities as part of the Group’s goal to be a leading institution in adopting a best practice approach to regulatory and related standards while simultaneously reviewing any pertinent historical activities.

As a result of these high levels of investment in laying the foundation of future growth and enhancing the control functions’ capabilities, as well as the amortization of the Barclay’s purchase consideration, the cost to income ratio ended Q3 2015 above the medium-term goal at 45.8%. The cost to income ratio peaked at 53.2% in Q4 2014 and expectations remain that it will improve going forward.

Human resources

Despite ADIB’s continued expansion strategy, including servicing an increasing number of client segments through a broader range of products and solutions while enhancing governance, control and compliance structures, the focus on performance levels has seen the Bank’s headcount in the UAE decrease to 2,379 from 2,435 as at 31 December 2014.

Furthermore, ADIB remains one of the leading banks in advocating the recruitment, development and promotion of local talent in all the markets in which it operates. As a result, the Bank now employs 1,073 Nationals in the UAE with a resultant Emiratization ratio of 45.1%.

Management comment

On behalf of the Board of Directors and the management team, Tirad Al Mahmoud, Group CEO of ADIB, said: “Despite the current economic and competitive challenges, I am pleased to report that ADIB has continued to deliver record levels of performance. In Q3 2015, the Group’s net profit increased by 5.5% to AED 503.2million and total assets grew 7.3% to AED 116.9 billion versus the same period last year.

“Our focus on building capital, combined our with concerns about the liquidity outlook as well as declining credit spreads and early indications of credit stress in the UAE, saw new customer financing asset growing at a conservative 5.8% for the year-to-date which is in line with the growth in deposits of 5.5% since 31 December 2014. As a result, ADIB remains one of the most liquid banks in the UAE with a healthy customer financing assets to deposits ratio of 86.4%.

“The overall financial performance once again reflects the continued robustness of ADIB’s growth strategy and our ability to adapt this strategy to the economic realities and competitive environment in which we operate. What is particularly pleasing is that we have done so without compromising on our commitment to best in market customer experience, as is evidenced in the fact that we now serve over 855,000 customers across multiple client segments in our selected geographies.

“However, and notwithstanding the fact that at its core ADIB is a customer centric organization, we recognize that being a top tier bank also means that we must also excel in meeting the needs and requirements of all our stakeholders, including regulators, shareholders and investors, our staff and the community at large. Therefore, it is of primary importance that ADIB continues to build the required level of capital, across all classes, that is appropriate for a bank with our ambition and profile. We were therefore honored that Q3 2015 saw ADIB once again take the lead the UAE banking sector by enhancing its capital through a highly successful rights issue of 168 million shares to existing shareholders. The rights issue, which was the first by a bank in the UAE where shareholders could trade their rights, was almost three-times oversubscribed and raised AED 504 million in new common equity tier 1 capital. ADIB has now increased total equity by 9.5% year-on-year to AED 14.7 billion and the Group’s capital adequacy ratio is now 14.70%.

“In addition to our focus on capital and balance sheet management, and notwithstanding the challenges relating to revenue growth and remedial credit management, 2015 has also seen ADIB bring an even greater focus to ensuring that the necessary expenditure required to build our customer focused franchises - and the infrastructure to support them - is matched by the commitment to ensuring that we operate, and have done so in the past, in accordance with the best practice governance, control and compliance requirements of regulators at home and abroad. Unfortunately the impact of these types of expenditure, as measure by our cost to income ratio, is immediate while the benefits will only be realized and recognized through sustainable future revenue growth and continued control excellence.”

Other ADIB Group companies

Securities

“Despite the continued volatility of UAE and global equity markets, and the increased economic uncertainty around Emerging Markets and in sectors linked to oil and gas, our stock-brokerage subsidiary, ADIB Securities, registered a net profit of AED 10.2 million in Q3 2015. While this represents a decrease of 42.0% from same period in 2014, we recognize the cyclical nature of this business and its importance to our Priority and Private client value proposition. We will therefore continue to provide our clients with best in market execution capabilities while ensuring that the business is well positioned for the next upturn.”

Real Estate

In respect to the Group’s real estate subsidiary, Burooj Properties: “I am pleased to confirm that no further impairments relating to Burooj’s historical activities were required during Q3 2015. As previously stated, our focus remains on the orderly reduction of the Group’s exposure to proprietary Real Estate when it makes good financial and business sense to do so.”

Outlook

“We cannot ignore the economic and competitive realities of the environment in which we operate. We remain concerned about declining credit spreads, particularly given: the uncertain interest rate outlook; increasing signs of credit stress; and increased pressure on liquidity levels in the markets in which we operate. However, ADIB’s commitment to servicing our loyal customer base remains at the heart of everything we do and we will therefore continue to endeavor to match future customer financing asset growth with our forecasted growth in deposits. In addition, we will continue to ensure that new credit extension is done in such a manner that the risk related returns are commensurate with our long-term return of shareholders equity targets.

“ADIB will continue its conservative approach to non-performing asset recognition and sustainable remedial credit management. As part of this, we will also continue to build further provisions and enhance our coverage ratio as is prudent.

“Furthermore, given ADIB’s market best practice approach to raising and optimizing capital, we will continue to act as necessary to ensure that the Group has the required capital base to support its 2020 growth strategy while being able to fully adopt Basel III as and when it is introduced in the UAE. These actions will in all likelihood cover all capital classes and will be taken as and when market conditions are favorable and the cost-to-benefit analysis is in line with both shareholders and investors’ expectations”

Gratitude

The Board of Directors and executive management wish to extend their sincere appreciation and gratitude to His Highness Sheikh Khalifa Bin Zayed Al Nahyan, the President of the UAE and Ruler of Abu Dhabi, to His Highness Sheikh Mohammed Bin Zayed Al Nahyan, Abu Dhabi Crown Prince and Deputy Supreme Commander of the UAE Armed Forces, to the Central Bank of the UAE and to the Emirates Securities and Commodities Authority, our shareholders and our clients for their continued trust in and support of ADIB, along with our staff for their dedication.



Tirad Al Mahmoud
Group Chief Executive Officer

Financial summaries

ADIB Group Financial summary - 3 months and 9 months summary

Financials	Consolidated Group									
	Q3 2013	Q3 2014	Q3 2015	Chg Q3 14 vs. Q3 13	Chg Q3 15 vs. Q3 14	YTD 2013	YTD 2014	YTD 2015	Chg YTD 14 vs. YTD 13	Chg YTD 15 vs. YTD 14
	AED Mn	AED Mn	AED Mn	%	%	AED Mn	AED Mn	AED Mn	%	%
Net Revenue from Funding	769.8	921.8	934.4	19.7%	1.4%	2,251.3	2,560.4	2,794.4	13.7%	9.1%
Investment income	80.9	65.8	96.0	-18.7%	45.9%	166.1	213.4	270.7	28.5%	26.9%
Fees & Commissions	139.6	173.3	218.4	24.1%	26.0%	434.5	517.5	641.0	19.1%	23.9%
FX	24.5	10.8	24.7	-55.7%	127.2%	29.3	34.5	43.8	17.7%	27.0%
Other	1.1	-0.9	10.9	-174.7%	1,364.0%	4.3	1.0	12.5	-76.3%	1,123.8%
Total Revenues	1,015.9	1,170.8	1,284.2	15.2%	9.7%	2,885.5	3,326.8	3,762.5	15.3%	13.1%
Operating profit (margin)	589.1	663.6	696.2	12.7%	4.9%	1,665.9	1,920.2	2,027.3	15.3%	5.6%
Credit Provisions and Impairment	193.5	186.8	193.0	-3.5%	3.3%	558.9	579.1	570.7	3.6%	-1.5%
Net Profit	395.5	476.8	503.2	20.5%	5.5%	1,107.0	1,341.1	1,456.6	21.1%	8.6%
Total Assets in AED (Billion)	97.1	109.0	116.9	12.2%	7.3%	97.1	109.0	116.9	12.2%	7.3%
Customer Financing in AED (Billion)	58.9	71.6	77.2	21.7%	7.8%	58.9	71.6	77.2	21.7%	7.8%
Customer Deposits in AED (Billion)	70.2	82.9	89.4	18.2%	7.8%	70.2	82.9	89.4	18.2%	7.8%

-Ends-

About ADIB:

Abu Dhabi Islamic Bank (ADIB) was established on 20th May 1997 as a Public Joint Stock Company following the Emiri Decree No. 9 of 1997. The Bank commenced commercial operations on 11th November 1998, and was formally inaugurated by His Highness Sheikh Abdullah Bin Zayed Al Nahyan on 18th April 1999.

ADIB's vision is to be a top-tier, global Islamic financial services group and its mission is to provide Islamic financial solutions to the global community.

The Bank carries out all contracts, operations and transactions in accordance with Islamic Shari'a principles.

ADIB's core values, reflected in all its activities are: Simple and Sensible; Transparent; Mutual Benefit; Hospitality and Tolerance; and Shari'a inspired. It brings to its customers banking as it should be.

ADIB -Awards:

1. Sheikh Khalifa Award - Gold Category
2. Best Bank in the UAE by Banker Magazine
3. Best Islamic Bank in the UAE by Banker Magazine
4. Best Overall bank in customer experience in the GCC by Ethos Consultancy
5. Best Overall Bank in the UAE in customer service for the 4th consecutive year by Ethos Consultancy.
6. Best call center in the UAE by Ethos Consultancy
7. Best Branch network for by Ethos Consultancy
8. Best Overall Best Islamic Bank by IFN
9. Best Islamic Bank in the UAE by Global Finance for 4th consecutive year
10. Best overall Islamic retail Bank globally by Global finance magazine.
11. Best Islamic bank in the Middle East by Euromoney.
12. Best Islamic bank in the UAE for 2nd consecutive year by Euromoney.
13. Best Islamic Bank in Egypt by IFN
14. Best Islamic Bank in UAE by IFN
15. Best Islamic Bank in the UAE by IFLR
16. Best M&A deal by IFLR
17. "Seatrade Maritime Finance for Shipping Award
18. Best Treasury Services in the Middle East by EMEA Finance
19. Best Private Bank in the UAE by Wealth Briefing
20. Most recommended Bank in the UAE by Souq Al Mal
21. Best Islamic Bank in the UAE by EMEA Finance magazine for 4th consecutive year
22. Best retail bank by Islamic Banking and Finance Magazine
23. Best Overall Islamic Bank by International Financial Law Review Magazine
24. Best Islamic bank in the UAE by Asiamoney Awards.
25. Best Islamic bank in the Middle East by Asiamoney Awards.
26. Best Sukuk Deal by Triple A Asset Asian Awards.
27. Best Bank Capital Sukuk by Triple A Asset Asian Awards.
28. Best Sukuk Deal in the UAE by Triple A Asset Asian Awards.
29. Islamic Deal of the Year by Triple A Asset Asian Awards.
30. Best Loyalty card in Asia, Middle East and Oceania by Freddie Awards.
31. Best Nationalization Initiative by MENA HR Excellence Awards.
32. Best Islamic Bank for Treasury Management by IFN
33. Perpetual Deal of the Year by IFN
34. Qatar Deal of the Year by IFN
35. Regulatory Capital Deal of the Year by IFN
36. UAE Deal of the Year by IFN
37. Corporate Finance Deal of the Year on Barclays acquisition by IFN
38. Infrastructure & Project Finance Deal of the Year by IFN
39. Euromoney Awards for Innovation in Islamic Finance
40. Best project finance deal in UAE by EMEA Finance
41. Human Resource Development Award from the Emirates Institute of Banking and Financial Studies (EIBFS)
42. Best Islamic Bank Award by Banker FT
43. Mohammed bin Rashid Al Maktoum Business Award
44. Employer of the Year by Higher Colleges of Technology
45. The Leading Arab Islamic Bank for 2015 by Union of Arab Banks

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